



UL's Responsible Sourcing Group

Contract Labor Management

**Prepared for: AIM Progress
Responsible Sourcing Supplier Forum
October 16, 2014**

Agenda



ABOUT US

CONTRACT LABOUR MANAGEMENT

Q&A

UL'S RESPONSIBLE SOURCING GROUP

OUR MISSION: Be the global leader in advancing sustainable business practices within supply chains, worldwide.

OUR CAPACITY: With a global footprint spanning over 120 countries, UL's Responsible Sourcing group conducts nearly 20,000 audits each year.

Our employees represent over 30 nationalities and languages.

We can quickly deploy resources to offer service in newly emerging markets.

OUR CAPABILITY: As the first social monitoring company of its kind when it was founded as CSCC, UL's Responsible Sourcing group provides auditing and advisory services to more than 500 retailers, brands, and suppliers.

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Contract Labour: a definition



Contract Labour: “A wolf in sheep clothing”?

- a primary vehicle for **attacking living standards** and violating the rights to livelihood, non-discrimination, right to a safe working environment for workers.
- deliberate application of **precarious work relationships** to restrict workers' ability to organize at the workplace and challenge poverty, insecurity, unsafe working conditions.

Decent work and reputational risks for brands



Work: a **key component** of people's lives

- Aspiration to a **living wage** to lift people out of poverty and social exclusion. and secure enough to guarantee a decent livelihood.
- The **Decent Work Agenda** has gained much popularity in recent years. Emphasis on fair and sustainable working opportunities: principles of rights at work, social protection and social dialogue.
- The **reputations of business corporations** and their brands **matters** today **as never before**. Reputations, built over many years of dedicated effort and investment can be ruined by “**bad news stories**”, deserved or otherwise, virally spread through today's media.

Decent work and reputational risks for brands



How companies conduct their business is subject to **evermore scrutiny** by the **media, NGOs, and consumers**.

- That's why Corporate Social Responsibility (CSR) is an **essential component of the business strategies** of many enterprises, large and small.

Up to **two thirds** of a business's revenue spent on the **procurement of goods and services**. The **reputation** of a business corporation may be significantly **impacted** by the **activities of their suppliers**.

- The question posed today is “How is **responsible sourcing principles upheld** when **contract Labour** is utilized for production”?

Given case study: the figures



Worker Details:

500 permanent workmen

400 contract labour

10 contract labour **agencies** supplying workers to the facility.

3 new agencies added by the Production Manager two months prior to the audit and they **supply 200 Contract** Workers and **50 Casual** Workers.

Recent audit result: The social audit conducted by the third party audit agency brings out a number of **findings**, in particular are **contract labour findings**.

Below is the list of Findings:

Missing benefits for 20 workers from 1 contract agency.

Given case study: findings



List of Findings:

Missing benefits for 20 workers from 1 contract agency.

- 1. Licenses and permits** : missing contractor's licence; and missing CL agencies on the registration certificate
- 2. Business** : employees interviews brought about that MW is not being paid while documentary evidence is indicating MW is being paid
- 3. Casual workers** : Missing personnel files, time records, appointment letters, wage records, age documents etc.
- 4. Overtime compensation**: not being paid at premium rate

Incorrect calculation of benefits-base rate used is below the basic rate of MW as defined by the state rules

Given case study: scenario



You are the **HR manager** of the plant you have been asked by the management to **immediately take corrective actions** and also ensure that **changes** implemented should be **sustainable** and within law requirements.

You are faced with the **production manager** who **refuses to take responsibility** and points out that Contract workers are not permanent workers and the company cannot take responsibility for them.

How are you going to **address these issues**?

Develop **strategies for remediation** after discussion with group members with the help of group leader and **prepare action plan**.

Given case study: Plan of Action



Immediate corrective action

1. **Call a meeting** with all the 13 agencies and highlight the company's commitment to responsible sourcing and workers' rights

2. **Give them** Mapak Glass Company (case study company) social compliance **expectations** especially on the 3 major areas :

- Working hours
- Wages and benefit
- Health and safety

It would be advisable to make the **agencies sign the responsible sourcing commitment**. If possible conduct a social compliance **training for agencies**.

3. Immediately conduct a **social compliance audit** on all the agencies. Audit is based on a sample: there might be more issues not revealed during the audit. Auditing all agencies might be a lengthy process, it would be advisable to **start with the agencies which had major findings**

Case study Findings Discussion



1. Licence and permits-missing contractor's license; and missing CL agencies on the registration certificate

Request all agencies to bring their business licenses and other legal requirements. For the agencies not in possession of valid license the contract should be suspended until the license is available.

The Companies Act (2008), Art. 32(1) states that a company or external company must provide its full registered name or registration number to any person on demand; and (b) not misstate its name or registration number in a manner likely to mislead or deceive any person.

Case study Findings Discussion



2. Missing benefits for 20 workers from 1 contract agency

All agencies should bring evidence of remittance of the missing benefits. For example if it's the Unemployment Fund (UIF), the agency should bring the proof of remittance. The Unemployment Insurance Contributions Act (2002), Regulation 2 states that every employer must in the statement submitted with the payment of the contributions by that employer to the Commissioner for the South African Revenue Service in terms of section 8(2) of the Act, reflect -

a) The total amount of remuneration paid or payable to all employees in respect of which the contributions were determined in terms of section 6 of that Act;

b) The total amount of the employees' contributions and that employer's contributions; and c) the number of employees in respect of which the contributions contemplated in regulation 2(b) relate.

Case study Findings Discussion



3. Business : employees interviews brought about that MW is not being paid while documentary evidence is indicating MW is being paid

The agency should bring the evidence such as bank transfer notices which reflect the employees have been paid their wages .In regards the testimony of the employees, it would be advisable to get more information. Are employee getting the correct wage, is it calculated correctly, is the wage paid directly to the employee, is Overtime computation correct .Also it's important to check the authenticity of the payroll provided for the audit. Does the agency not have two payrolls?

Case study Findings Discussion



4. Casual workers: Missing personnel files, time records, appointment letters, wage records, age documents etc

Enquire whether the agency have these documents .Request the documents to be brought to the company offices immediately .If the agency does not have the documents ,the facility may request the agency to comply these documents as soon as possible .(its advisable to state a date) .

The Compensation for Occupational Injuries and Diseases Act (1993), Art. 81(1) states that an employer shall keep a register or other record of the earnings and other prescribed particulars of all the employees, and shall at all reproduce such register or record or a microfilm or other microform reproduction thereof on demand to an authorized person referred to in section 7 for inspection,(2) An employer shall retain the register, record or reproduction referred to in reasonable times subsection (1) for a period of at least four years after the date of the last entry in that register or record.

All workers should be able to produce legal evidence of their age, in the form of a birth certificate, South African ID document or a passport.

Case study Findings Discussion



4. Casual workers: Missing personnel files, time records, appointment letters, wage records, age documents etc

However, this is not always easy, especially in very rural areas. Legally, an employer is responsible for providing evidence of age for all their employees. It is a criminal offence to employ any persons under the age of 15 as this constitutes child labour. In addition, restrictions apply to the employment of young workers, defined by the law as individuals between the ages of 15 and 18 years of age. This is to protect the abuse of children and young workers.

Without a relevant identity document, claims are difficult to access. For example, an individual that becomes unemployed and then wishes to claim UIF would have difficulty doing so without some form of identification. It would also be difficult to prove that contributions have been paid for that individual when there is no proof of identity to link the payment to.

If a person is injured whilst on duty and requires medical treatment, this is normally covered by the Commissioner for Occupation Injuries and Diseases. But the claim must always display the identification number of the individual for whom the claim is being made. If there is no number, it becomes difficult to make a claim.

Case study Findings Discussion



4. Casual workers: Missing personnel files, time records, appointment letters, wage records, age documents etc

Employing foreign individuals without valid work permits is illegal and can result in hefty fines being levied against the employer. Without identification documents, establishing the immigration status or legal entitlement to work is not possible.

The best solution is a valid, bar coded South African identification document. A copy should be taken and retained for records by the employee and the original handed back to the owner.

If the person does not have an identification document or passport, an employee can ask for an original birth certificate – this will at least establish the workers' age. To make sure it is valid, one could request an affidavit stamped by a commissioner of oaths (e.g. local police officer) proving the authenticity of the document.

In some instances, workers may not possess a birth certificate or a bar coded identification document. In this instance it is still good practice to request that the individual proves their age and eligibility to work. This can also be done in the form of an affidavit, although this is fairly open to abuse and might not provide enough proof.

Preventative corrective action



- It would be advisable to **draft new contracts** for agencies that require compliance with the law and commitment to responsible sourcing practices Internal audits quarterly
- **Contract labour employees awareness training** so that there are quick to speak up in case of violation of their workers' rights.
- Facility can request the agencies to **send confirmation of wages paid monthly** as means of monitoring wages and benefits are paid. There might be a question of confidentiality involved. Therefore this is better discussed and negotiated initially when the contract is starting with the agency.
- To issue agency has documents available onsite on day of audit. It is advisable to have a **representative of the agency participate in the audit** to appreciate the importance of it.

Progressive corrective action



- **Continuous monitoring** through internal audits
- Organize **workers committees** among casual workers so that issues are discussed .This might be the only means for them to practice their right to freedom of association.
- Conduct a **risk appraisal** to determine risks associated with the country and region in which each supplier is based, as well as with the scale, status and nature of the supplier's business, and tailors its assessment to the supplier's risk level

Awareness Training for Managers

It is important that all **managers or supervisors** who directly or indirectly work with the contract Labour are **trained** on the essence of responsible sourcing. Responsible sourcing goes beyond your own employees,

*Responsible sourcing in the context of contract Labour management
“as caring and nurturing your neighbor’s children”.*

Conclusions



Advise the company to **take the lead** in promoting responsible sourcing activities.

It is important to note that the **facility is responsible** for overall implementation of responsible sourcing policies throughout its supply chain.

This is achieved by **ensuring that suppliers comply with the Supplier Code of Conduct** and conducting necessary studies and audits of suppliers, analyzing the results thereof and implementing necessary measures.

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THANK YOU.

